

Disciplinary and Other FINRA Actions

NASD investigated and/or settled the following disciplinary actions prior to the creation of FINRA, which consolidated NASD and the member regulation functions of the New York Stock Exchange.

Firm Expelled, Individual Sanctioned

Griffin, Mills & Long, LLC (CRD #47778, San Diego, California) and Walter Andrew Mills (CRD #2532559, Registered Principal, San Diego, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was expelled from NASD (and now, FINRA) membership and Mills was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, the firm and Mills consented to the described sanctions and to the entry of findings that the firm, acting through Mills and in participation with other registered representatives of the firm, sold common stock; and in contravention of the terms of the private placement memoranda, instructed public customers who participated in the offering to make their checks payable to a company Mills owned and controlled that was not a FINRA member firm, or to wire transfer funds directly to the company's bank account. The findings stated that by directing customer funds to the company's account, the customer funds were commingled with funds unrelated to the offering; and the firm, acting through Mills, used the proceeds in a manner contrary to the representations made to the customers in the private placement memoranda. The findings also stated that the firm and Mills failed to fully respond to NASD requests for information and documents. (NASD Case #2007007387901)

Firm Suspended, Individuals Sanctioned

A.B. Watley Direct, Inc. (CRD #18663, New York, New York), Robert Franklyn Malin (CRD #1178312, Registered Principal, New York, New York) and Linus Nkem Nwaigwe (CRD #2613032, Registered Principal, Valley Stream, New York) submitted Offers of Settlement in which the firm was censured, fined \$175,000, and suspended from effecting mutual fund purchase or exchange transactions (with the exception of money market mutual fund transactions) for any new customers for one year and required to provide written notice of this restriction to new customers who transfer mutual fund holdings to the firm, prior to such transfer, during the one-year period. The firm was also required to review its written supervisory procedures governing supervision of persons associated with the firm, the creation, maintenance and retention of all books and records, and its handling of mutual fund transactions for compliance with NASD rules, and federal securities laws and regulations. Malin was fined \$50,000 and suspended from association with any NASD (and now, FINRA) member in any principal capacity for six months. Nwaigwe was fined \$20,000 and suspended from any NASD member in any principal capacity for six months.

Reported for September 2007

FINRA® has taken disciplinary actions against the following firms and individuals for violations of NASD rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

Without admitting or denying the allegations, the firm, Malin and Nwaigwe consented to the described sanctions and to the entry of findings that the firm processed mutual fund transactions at a day's Net Asset Value (NAV) even though it first received public customer orders for the transactions after the close of the market. The findings stated that the firm, acting through Nwaigwe, failed to maintain, preserve and produce adequate order memoranda in that it did not record the time that it received actual customer orders for mutual fund transactions and failed to maintain correspondence concerning mutual fund companies' warnings and attempts to restrict customers' market timing activities. The findings also included that the firm assisted its customers to evade market timing restrictions by systematically disregarding "block" letters and other directives from mutual fund companies, submitting violative transactions through accounts where the firm knew or should have known that the transactions violated market timing, allowing its clients to set up multiple accounts utilizing different names and branch codes to evade market timing restrictions, and opening multiple accounts for one client at the firm and a former member firm. NASD found that the firm, acting through Malin and Nwaigwe, failed to implement, maintain and enforce an effective supervisory system that would have enabled the firm and a former firm to comply with federal securities laws and NASD rules, and failed to follow their own existing procedures and policies that might have enabled the firms to investigate and determine whether their representatives were complying with applicable securities laws and regulations with respect to mutual fund transactions. NASD also found that the firm and the former firm, acting through Nwaigwe, failed to discover "red flags" that would have alerted the firms to the improper late trading, inadequate books and records and market timing activity in connection with the mutual fund business at the firms. NASD also determined that Malin and Nwaigwe failed to adequately perform the duties assigned to them and thus missed the "red flags." Moreover, NASD found that the firms, acting through Nwaigwe, failed to establish, maintain and enforce written procedures reasonably designed to enable them to supervise their mutual fund business, including detection and prevention of market timing abuses and late trading.

A.B. Watley Direct's suspension from effecting mutual fund purchase or exchange transactions is in effect from July 11, 2007, through July 10, 2008. Malin's suspension in any principal capacity is in effect from August 6, 2007, through February 5, 2008. Nwaigwe's suspension in any principal capacity will be in effect from September 17, 2007, through March 16, 2008. **(NASD Case #E102003025201)**

Firms Fined, Individuals Sanctioned

Beerbaum & Beerbaum Financial and Insurance Services, Inc. (CRD #17099, Petaluma, California) and Hans Norman Beerbaum (CRD #717043, Registered Principal, Petaluma, California). The firm was fined \$15,000 and Beerbaum was barred from association with any NASD (and now, FINRA) member in any capacity. The Securities and Exchange Commission (SEC) imposed the sanctions following the appeal of a National Adjudicatory Council (NAC) decision. The sanctions were based on findings that Beerbaum, while suspended as a principal of the firm, actively engaged in the management of the firm's securities business, and performed executive and supervisory responsibilities despite his suspension as a principal. **(NASD Case #C0120040019)**

Empire Financial Group, Inc., (CRD #28759, Longwood, Florida), George Randy Cupples (CRD #4029475, Registered Principal, Fort Lauderdale, Florida) and Pamela Cathy Ohab (CRD #2700308, Registered Principal, Altamonte Springs, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was fined \$145,000, of which \$10,000 was jointly and severally with Cupples, and \$10,000 was jointly and severally with Ohab. Cupples and Ohab were each suspended from association with any FINRA member in a financial and operations principal capacity for 30 business days. Without admitting or denying the findings, the firm, Cupples and Ohab consented to the described sanctions and to the entry of findings that the firm, acting through Cupples and Ohab, conducted a securities business while failing to maintain the minimum net capital requirement; prepared and submitted materially inaccurate Financial and Operations Combined Uniform Single (FOCUS) reports; and prepared and maintained materially inaccurate net capital computations. The findings stated that the firm implemented a material change in business operations by materially increasing the number of equity securities in which it made a market without filing an application for approval with FINRA. The findings also stated that the firm failed to maintain electronic correspondence. The findings also included that the firm failed to conduct an independent testing of its Anti-Money Laundering (AML) compliance program, failed to develop and implement an adequate supervisory system for detecting and reporting suspicious activity, and failed to establish and implement policies, procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act, including an adequate Customer Identification Program (CIP). NASD found that the firm failed to report a disclosable matter and failed to timely report disclosable matters. NASD also found that the firm reported municipal securities transactions late, without a price and with an incorrect price.

Cupples' and Ohab's suspensions in a financial and operations principal capacity are in effect from September 4, 2007, through October 15, 2007. **(NASD Case #2005000450504)**

Network 1 Financial Securities Inc. (CRD #13577, Red Bank, New Jersey), Richard William Hunt (CRD #830574, Registered Principal, Belmar, New Jersey) and Damon Domenic Testaverde (CRD #444453, Registered Principal, Staten Island, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$100,000 and required to retain an independent consultant to conduct a comprehensive review of the adequacy of its policies, systems, procedures (written and otherwise) and training relating to market making and retail activity. Hunt was fined \$25,000 and suspended from association with any NASD (and now, FINRA) member in a principal capacity for 45 days, and Testaverde was fined \$50,000 and suspended from association with any NASD member in any capacity for four months. Without admitting or denying the findings, the firm, Hunt and Testaverde consented to the described sanctions and to the entry of findings that the firm, acting through Testaverde, solicited one of its customers, who was a controlling shareholder of a company, to sell the firm shares of a common stock in amounts that exceeded the limits that a controlling shareholder could sell in public transactions. The findings stated that the firm purchased these shares with the intent to distribute them through its market making activities and then resold them to the public. The findings also stated that the firm, acting through Hunt, failed to establish, maintain and enforce a

supervisory system, including written procedures, reasonably designed to ensure compliance with the requirements of Section 5 of the Securities Act of 1933, and failed to reasonably supervise Testaverde's activities in connection with soliciting the customer to sell large blocks of stock to the firm in principal transactions.

Hunt's suspension in a principal capacity is in effect from August 6, 2007, through September 19, 2007. Testaverde's suspension in any capacity will be in effect from September 20, 2007, through January 19, 2008. (NASD Case #EAF0400940001)

Firm and Individual Fined

Ko Securities, Inc. (CRD #8364, Seattle, Washington) and Terrance Yutaka Yoshikawa (CRD #474700, Registered Principal, Seattle, Washington) were fined \$147,450.81, jointly and severally. In addition, the firm was fined \$15,000 for the recordkeeping violation. The United States Court of Appeals denied respondents' petition for review of an SEC decision. The sanctions were based on findings that the firm and Yoshikawa executed short sales without making and annotating the affirmative determinations required for each short sale. The findings stated that the firm, acting through Yoshikawa, failed to maintain a record of the terms and conditions, time of entry and execution time for each customer order. (NASD Case #CMS000142)

Firms Fined

AIG Financial Advisors, Inc. (CRD #133763, Phoenix, Arizona) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it permitted an individual subject to a statutory disqualification to be associated with the firm. (NASD Case #2006003910901)

Craig-Hallum Capital Group LLC (CRD #121395, Minneapolis, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted reports that contained inaccurate, incomplete or improperly formatted data to the Order Audit Trail System (OATS). The findings stated that the firm executed orders and failed to properly mark their order tickets as long or short. (NASD Case #20050020091-01)

Dominick & Dominick, LLC (CRD #7344, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$18,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it bought/sold securities for its own account from/to another broker-dealer and failed to sell/buy the securities to/from firm customers at prices that were fair and reasonable, taking into consideration all relevant circumstances, including market conditions with respect to the securities at the time of the transactions, the expense involved, and that the firm was entitled to a profit. The findings stated that the firm failed to adequately enforce its written supervisory procedures to ensure compliance with applicable securities laws, regulations and NASD rules concerning fair pricing and markups. (NASD Case #20050006006-01)

Dougherty & Company LLC (CRD #7477, Minneapolis, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$167,500 and required to revise its written supervisory procedures regarding municipal bond pricing, corporate bond pricing and Trade Reporting and Compliance Engine (TRACE) reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to purchase municipal securities for its own account from a public customer or sell municipal securities for its own account to a customer at an aggregate price that was fair and reasonable, taking into consideration all relevant factors, including the best judgment of the firm as to the fair market value of the securities at the time of the transaction, and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the firm was entitled to a profit and the total dollar amount of the transaction. The findings stated that the firm bought/sold corporate bonds for its own account from/to another broker-dealer and failed to sell/buy the security to/from a firm customer at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to the security at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings also stated that the firm failed to report the lower of yield to call or yield to maturity for transactions in TRACE-eligible securities to TRACE. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and Municipal Securities Rulemaking Board (MSRB) rules concerning municipal bond pricing, and NASD rules concerning corporate bond pricing and TRACE reporting. **(NASD Case #20050001341-01)**

E*Trade Clearing LLC (CRD #25025, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$70,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it reported municipal securities transactions on its affiliated correspondent firm's behalf, and incorrectly reported its own market participant identification (MPID) rather than that of the introducing firm. The findings stated that the firm reported corporate securities to TRACE on behalf of its affiliated correspondent firm and incorrectly reported its own MPID rather than that of the introducing firm. The findings also stated that in connection with municipal debt securities and corporate debt securities transactions effected on its affiliated correspondent firm's behalf, the firm failed to provide information with respect to yield to maturity calculated from the dollar price on its written confirmations to customers. The findings also included that the firm failed to follow its written supervisory procedures to ensure that customer confirmations for municipal debt securities transactions and corporate debt securities transactions contained the required disclosures **(NASD Case #E102004013001)**

First Southwest Company (CRD #316, Dallas, Texas) submitted Letters of Acceptance, Waiver and Consent in which the firm was censured and fined a total of \$160,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to timely report municipal securities transactions and municipal securities inter-dealer transactions to the Municipal Securities Rulemaking Board (MSRB). The findings stated that the firm failed to monitor

its trade reporting to ensure compliance with MSRB Rule G-14. The findings also stated that the firm failed to timely file MSRB Forms G-36 Official Statement (OS), failed to timely file an MSRB Form G-36 Advanced Refunding Document (ARD) and failed to timely amend MSRB Forms G-36(OS). **(NASD Cases #E062004030201/E062004005102)**

FSC Securities Corporation (CRD #7461, Atlanta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$12,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securities executed on a business day during TRACE system hours to TRACE within 30 minutes of execution time. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning TRACE reporting. **(NASD Case #20050014029-01)**

Georgeson Securities Corporation (CRD #46749, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$30,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to maintain and preserve all of its electronic communications as required by SEC Rule 17a-4. The findings stated that the firm electronically "backed-up" electronic communications at the end of each day, but failed to capture, maintain and preserve any electronic communication deleted from a user's deleted items folder during the day. **(NASD Case #2006004077101)**

Goldman, Sachs & Co. (CRD #361, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$40,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it exceeded the position limit in transactions involving call and put option contracts. The findings stated that the firm failed to timely file with NASD accurate large options position reports covering separate positions in conventional options. The findings also stated that the firm improperly double-reported trades to the NASDAQ Market Center (NMC). The findings also included that the firm failed to accept or decline in the Trade Reporting Facility and the Over-the-Counter Reporting Facility transactions in reportable securities within 20 minutes after execution. **(NASD Case #20050027552-01)**

Integrity Trading, Inc. (CRD #104236, Kirkland, Washington) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$12,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it accepted customer short sale orders and, for each order, failed to make an affirmative determination that it would receive delivery of the security on the customer's behalf, or that the firm could borrow the security on the customer's behalf for delivery by settlement date. **(NASD Case #20070090218-02)**

Jefferies & Company, Inc. (CRD #2347, Los Angeles, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$525,000 and required to revise its written supervisory procedures with respect to SEC Rules 15c2-11, 203(a) (Long Sales) and 203(b)(3) (Threshold Securities), NASD Rule 6740 (currently Rule

6640), TRACE, Order Handling and Execution, Best Execution, Trade Reporting, Sales Transactions, Registration; Anti-Intimidation/Coordination; Soft Dollars, OATS, Other Trading Rules (Books and Records) and NASD Rules 3110(b)(1) (Marking Tickets), 3350 (Bid Test), 3370 (Prompt Receipt and Delivery of Securities) and 6130(d)(6) (Trade Report Input). Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to submit to OATS Reportable Order Events (ROEs) for “not held” orders; submitted Execution and Route or Combined/Order Route reports that failed to link to, respectively, related trade reports in the Automated Confirmation Transaction Service (ACT) and related orders in SuperMontage; reported Route or Combined/Order Route reports that failed to match the receiving firm’s New Order report and vice versa; failed to submit accurate order information and required Order Execution reports to OATS; incorrectly submitted Execution Reports for transactions executed away from the firm to OATS, and failed to properly utilize the Combined Order Execution, Route and Combined Order/Route reports. The findings stated that the firm failed to disclose certain required information on a customer confirmation and failed to exclude orders submitted on a “not held” basis in the calculation of the firm’s execution quality statistics. The findings also stated that the firm submitted a quotation for publication on a quotation medium, the Pink Sheets, without having in its records the documents and information required by SEC Rule 15c2-11(a) and (b), having a reasonable basis under the circumstances for believing the information required by Rule 15c2-11(a) was accurate in all material respects and that sources of the information were reliable or submitting a Form 211 to NASD. The findings also included that the firm failed to report to TRACE the correct contra-party and failed to report transactions in TRACE-eligible securities to TRACE within 15 minutes after execution. NASD found that the firm submitted duplicate trade reports to ACT for transactions in NASDAQ National Market (NNM) securities; failed to report the correct capacity to ACT; failed to correctly report transactions as “long” or “short”; failed to correctly report “riskless” principal transactions in NNM, NASDAQ SmallCap, Consolidated Quotation System (CQS) and OTC Bulletin Board securities and failed to properly utilize the “.PRP” modifier in transactions involving NNM securities. NASD also found that the firm failed to accurately mark sales on the firm’s trading ledger as “long” or “short”; executed customer short sales and proprietary short sales in securities in which the firm was not a *bona fide* market maker and failed to make the required “affirmative determination”; executed customer short sale transactions in certain NNM securities at or below the current inside bid when the current inside bid was below the preceding inside bid in the security and executed proprietary short sale orders in a security in which the firm was not a *bona fide* market maker and failed to fulfill the established locate requirement addition.

NASD determined that the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning several regulatory areas. Moreover, NASD found that the regulatory areas for which the firm failed to establish, maintain and enforce adequate written supervisory procedures were SEC Rules 15c2-11, 605, NASD Rule 6740 (currently Rule 6640), TRACE, Order Handling and Execution, Best Execution, Trade Reporting, Sales Transactions, OATS; Registration; Anti-Intimidation/Coordination; Soft Dollars, Books and Records and Short Sales. **(NASD Case #20041000073-01)**

LaBranche Financial Services, LLC (CRD #7432, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$22,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning order handling, best execution, short sales and soft dollars. The findings stated that the firm failed to enforce its written supervisory procedures, which specified that the soft dollar administrator shall maintain files containing invoices and other documents related to each soft dollar arrangement. The findings also stated that the firm executed riskless principal transactions in NNM securities and reported to the NMC that it executed those transactions in a principal-only capacity without submitting separate clearing only or non-tape, non-clearing reports with capacity indicators of “riskless principal.” The findings also included that the firm incorrectly designated as “Wi” through the NMC one last sale report of a transaction in a NASDAQ security executed during normal market hours. NASD found that the firm failed to report to the NMC the correct symbol indicating whether it executed transactions in eligible securities in a principal, riskless principal or agency capacity. NASD also found that the firm failed, within 90 seconds after execution, to transmit through one last sale report of a transaction in an eligible security the NMC, and failed to designate it as late. In addition, NASD determined that the firm failed to report the correct number of shares through the NMC in one last sale report of a transaction in an eligible security, and failed to report through the NMC one last sale report of a transaction in an OTC equity security. Moreover, NASD found that the firm failed to show the terms and conditions, the correct entry time and the correct execution time on brokerage order memoranda. **(NASD Case #20050001272-01)**

Midas Securities, LLC (CRD #103680, Buena Park, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$14,000 and required to review its procedures regarding the preservation of electronic mail communications for compliance with applicable NASD rules, and federal securities laws and regulations, and certify to NASD (and now, FINRA) in writing that it has established systems and procedures reasonably designed to achieve compliance with those rules, laws and regulations. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to preserve its internal and external email communications. The findings stated that the firm failed to establish and maintain a system to supervise the activities of each registered and associated person in a manner reasonably designed to achieve compliance with applicable securities laws and regulations, including email retention and review of correspondence. The findings also stated that the firm failed to establish, maintain and enforce adequate written supervisory procedures regarding electronic mail retention. Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, NASD imposed a lower fine in this case after it considered, among other things, the firm’s revenues and financial resources. See *Notice to Members* 06-55. **(NASD Case #E022005010601)**

Mischler Financial Group, Inc. (CRD #37818, Corona Del Mar, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and required to review its procedures regarding the preservation of electronic

mail communications for compliance with applicable NASD rules, and federal securities laws and regulations, and certify to NASD (and now, FINRA) in writing that it has established systems and procedures reasonably designed to achieve compliance with those rules, laws and regulations. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that, while it maintained and preserved communication sent through its Bloomberg system which was the predominant means by which its representatives communicated with the firm's clients, it failed to preserve properly in a non-rewriteable and non-erasable format email communications sent to and from its email addresses as well as personal email addresses three firm representatives used. The findings stated that the firm lacked fully compliant systems and procedures for the preservation of all of its electronic mail communications. **(NASD Case #2006003738401)**

Mitsubishi UFJ Securities (USA), Inc. (CRD #19685, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the lower of yield to call or yield to maturity for transactions in TRACE-eligible securities to TRACE. The findings stated that the firm failed to enforce its written supervisory procedures which specified that the designated supervisory principal would review the trading records and "trade scan" and rejected reports from TRACE on the days transactions in TRACE-eligible securities occurred to ensure compliance with TRACE reporting requirements, including the yield reporting requirements to which the procedures expressly referred. **(NASD Case #20060053257-01)**

National Securities Corporation (CRD #7569, Seattle, Washington) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it ignored red flags indicating that a registered representative under heightened supervision was circumventing this supervision by engaging in a scheme with another registered representative who was his brother-in-law. **(NASD Case #E8A2004064501)**

Northeast Securities, Inc. (CRD #25996, Mitchel Field, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$15,000 and required to revise its written supervisory procedures regarding TRACE reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the reporting side executing broker as "give-up" for transactions in TRACE-eligible securities to TRACE. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning TRACE reporting. **(NASD Case #20050006001-01)**

Quantlab Securities LP (CRD #119955, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$35,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to timely report ROEs to OATS, and reported Route or Combined Order/Route Reports that the OATS system was unable to link to the related order routed to SuperMontage or SelectNet due to inaccurate,

incomplete or improperly formatted data. The findings stated that the firm failed to enforce its written supervisory procedures which specified that daily supervisory reviews concerning the timeliness, accuracy and completeness of OATS reporting would occur. **(NASD Case #20050016255-01)**

Seattle-Northwest Securities Corporation (CRD #10639, Seattle, Washington) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and required to submit written certification to FINRA every three months for two years that it has complied with the requirements of MSRB Rule G-36. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to timely file official final statements, official statement amendments and advance refunding documents with the MSRB for primary offerings of municipal securities in which it acted as an underwriter. **(NASD Case #2006003928101)**

Sidoti & Company, LLC (CRD #102860, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it sent draft research reports to approximately 200 subject companies prior to publication that contained analyses, estimates, projections and conclusions. The findings further stated that one of the research reports contained a price target and research rating. **(NASD Case #20060037743-01)**

Signal Securities, Inc. (CRD #15916, Fort Worth, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it held customer funds representing payment of commissions in connection with secondary market purchases of direct participation program (DPP) units in its general operating account instead of a segregated account prior to finalization of the DPP transactions. The findings stated that the firm failed to promptly deposit customer checks representing payment for the purchase price of DPP units into the established escrow account. The findings also stated that the firm was required to perform monthly reserve computations and to make deposits into a special reserve bank account for the exclusive benefit of customers but failed to do so. The findings also included that the firm's holding of customer funds violated its NASD membership agreement, which prohibited the firm from holding customer funds. **(NASD Case #E062005002703)**

Vining Sparks (CRD #27502, Memphis, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$12,500 and required to revise its written supervisory procedures regarding MSRB reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report information about securities transactions effected in municipal securities to the Real-time Transaction Reporting System (RTRS) in the manner prescribed by MSRB Rule G-14 RTRS Procedures and the RTRS Users Manual. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and rules concerning MSRB reporting. **(NASD Case #20050021856-01)**

Westminster Securities Corporation (CRD #6105, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$40,000 and required to revise its written supervisory procedures regarding order handling, best execution, anti-intimidation/coordination, trade reporting, sale transactions, trading or quoting during a trading halt, firm quotations, locked/crossed markets, trade throughs, obligations of CQS or OTC market makers, soft dollar accounts and trading, OATS, information barriers, and books and records. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it accepted customer short sale orders in securities and, for each order, failed to make/annotate an affirmative determination that the firm would receive delivery of the security on the customer's behalf, or that the firm could borrow the security on the customer's behalf for delivery by settlement date. The findings stated that the firm failed to submit to ACT, for the offsetting, "riskless" portion of "riskless" principal transactions in designated securities, either a clearing-only report with a capacity indicator of "riskless principal" or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The findings also stated that the firm incorrectly reported to ACT "riskless" principal transactions in designated securities and failed to report to ACT the cancellation of trades previously submitted to ACT. The findings also included that the firm failed to report to ACT the correct symbol indicating whether transactions were buy, sell, sell short, sell short exempt or cross for transactions in reportable securities. NASD found that the firm, when it acted as principal for its own account, failed to provide written notification disclosing to its customers that it was a market maker in each security; inaccurately provided written notification disclosing to a customer that it was a market maker in the security and failed to provide written notification disclosing to a customer that the transaction was executed at an average price. NASD also found that the firm's supervisory system, did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning order handling, best execution, anti-intimidation/coordination, trade reporting, sale transactions, trading or quoting during a trading halt, firm quotations, locked/crossed markets, trade throughs, obligations of CQS or OTC market makers, soft dollar accounts and trading, OATS, information barriers, and books and records. **(NASD Case #20050005011-01)**

Individuals Barred or Suspended

Victoria Acevez (CRD #4581552, Registered Representative, Valparaiso, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member firm in any capacity for 90 days. The fine must be paid before Acevez reassociates with any FINRA member following the suspension, or prior to the filing of any application or request for relief from statutory disqualification. Without admitting or denying the findings, Acevez consented to the described sanctions and to the entry of findings that she signed a public customer's name on mutual fund disclosure forms without the customer's knowledge or consent.

The suspension in any capacity is in effect from August 6, 2007, through November 3, 2007. **(NASD Case #2006006715601)**

Lonzo Archer (CRD #1979672, Registered Representative, New Brunswick, New Jersey) was barred from association with any NASD (and now, FINRA) member in any capacity. The sanction was based on findings that Archer failed to appear for NASD on-the-record interviews. **(NASD Case #2005002133002)**

Clinton Alan Beebe (CRD #1195139, Registered Representative, East Lansing, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 90 days. The fine must be paid before Beebe reassociates with any FINRA member firm following the suspension, or prior to any application or request for relief from statutory disqualification is filed. Without admitting or denying the findings, Beebe consented to the described sanctions and to the entry of findings that he signed public customers' names to "Supplements to Applications" for their variable annuities without their knowledge and consent, and submitted the documents to his member firm to complete the transactions.

The suspension in any capacity is in effect from August 20, 2007, through November 17, 2007. **(NASD Case #2006006245801)**

Charles Louis Bolton III (CRD #1753380, Registered Principal, Scottsdale, Arizona) was barred from association with any NASD (and now, FINRA) member in any capacity. The sanction was based on findings that Bolton misused \$99,000 belonging to a public customer when, without the customer's knowledge or consent, he failed to invest the funds as intended. The findings stated that Bolton failed to respond to NASD requests for information. **(NASD Case #2006004356201)**

Mark Allen Borsky (CRD #2492069, Registered Principal, Medford, New Jersey), pursuant to a hearing panel decision, was fined \$5,000 and suspended from association with any NASD (and now, FINRA) member firm in any capacity for two years. The fine and costs are due and payable when, and if, the respondent seeks to return to the securities industry. The sanctions were based on findings that Borsky initially provided and caused his firm to provide false information to NASD although shortly thereof he corrected the false information.

The suspension in any capacity is from July 16, 2007, through July 15, 2009. **(NASD Case #2005000078501)**

June Bouha (CRD #1820478, Registered Representative, Mentor, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any NASD (and now, FINRA) member in any capacity for two months. The fine must be paid before Bouha reassociates with any FINRA member following the suspension, or prior to any application or request for relief from statutory disqualification is filed. Without admitting or denying the findings, Bouha consented to the described sanctions and to the entry of findings that she affixed a public customer's signature on an account transfer form without the customer's knowledge or consent.

The suspension in any capacity was in effect from July 16, 2007, through September 15, 2007. **(NASD Case #2006006236001)**

Kevin Patrick Brennan (CRD #3009014, Registered Principal, Glen Head, New York) and John Joseph Conroy (CRD #3008995, Registered Principal, East Norwich, New York) submitted a Letter of Acceptance, Waiver and Consent in which they were fined \$20,000, jointly and severally, and each was suspended from association with any FINRA member in a principal capacity for 60 days. Without admitting or denying the findings, Brennan and Conroy consented to the described sanctions and to the entry of findings that a member firm, acting through Brennan and Conroy, failed to establish, maintain and enforce taping procedures for the supervision of all of its registered persons' telemarketing activities. The findings stated that the firm, acting through Brennan and Conroy, transferred more than 25 percent of its assets or brokerage business to another member firm without filing an application for the transfer with NASD.

The suspensions in a principal capacity are in effect from August 20, 2007, through October 18, 2007. **(FINRA Case #2006003890601)**

Michael Forrest Brinlee (CRD #852723, Registered Principal, Lexington, Kentucky) submitted an Offer of Settlement in which he was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the allegations, Brinlee consented to the described sanction and to the entry of findings that he misappropriated funds from a public customer's estate by writing a \$9,045 check against the customer's bank account in order to make a tuition payment for a family member's benefit. **(NASD Case #2005001575201)**

Randall Dale Brown (CRD #2631174, Registered Representative, Henrietta, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, Brown consented to the described sanction and to the entry of findings that he received a \$1,000 check from a public customer to repay an earlier loan made from her life insurance policy account, but contrary to the customer's instructions, he deposited the check into a family member's personal bank account and converted the proceeds to his own use and benefit. **(NASD Case #2006006236201)**

Christopher Patrick Cataldo (CRD #5121621, Registered Representative, Andover, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid before Cataldo reassociates with an NASD (and now, FINRA) member following the suspension, or prior to any application or request for relief from statutory disqualification is filed. Without admitting or denying the findings, Cataldo consented to the described sanctions and to the entry of findings that he falsely represented to a public customer that he had listened to a recorded conversation his member firm maintained of an earlier conversation between the customer and another firm representative indicating that the customer had been advised that he would be charged a contingent deferred sales charge if he liquidated his mutual fund before a certain date, when no such recording existed.

The suspension in any capacity is in effect from August 6, 2007, through February 5, 2008. **(NASD Case #2006006843901)**

Bradley Richard Ferguson (CRD #3242155, Registered Representative, Monrovia, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, Ferguson consented to the described sanction and to the entry of findings that he forged a public customer's signature on a [403(b)] Distribution Request Form and the reverse side of checks totaling \$18,987.80, endorsed the checks and deposited them into his personal bank account without the customer's knowledge or consent, thereby converting the customer's funds. The findings stated that Ferguson failed to respond to NASD requests for information. **(NASD Case #2006007046601)**

Tearle Guy Gaskill (CRD #1936193, Registered Representative, Portsmouth, Virginia) was barred from association with any NASD (and now, FINRA) member in any capacity. The sanction was based on findings that Gaskill failed to respond to NASD requests to appear for an on-the-record interview and to provide documents. The findings stated that Gaskill borrowed \$3,000 from a public customer, contrary to his member firm's written policies and procedures prohibiting representatives from borrowing money from customers. **(NASD Case #2006005746601)**

David S. Goldman (CRD #2554603, Registered Representative, West Bloomfield, Michigan) submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 90 days. The fine must be paid before Goldman reassociates with any FINRA member firm following the suspension, or prior to any application or request for relief from statutory disqualification is filed. Without admitting or denying the allegations, Goldman consented to the described sanctions and to the entry of findings that he affixed a public customer's signature to a 403(b) payroll deduction application for purposes of increasing her retirement account contribution without the customer's written authorization. The findings stated that Goldman did not provide any notation evidencing his signature on the document and did not notify his member firm that he was signing on the customer's behalf.

The suspension in any capacity is in effect from August 6, 2007, through November 3, 2007. **(NASD Case #2006005586701)**

Steven Gray (CRD #2665911, Registered Principal, Brooklyn, New York) submitted an Offer of Settlement in which he was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the allegations, Gray consented to the described sanction and to the entry of findings that by the use of means and instrumentalities of interstate commerce, the mails and the facilities of national securities exchanges, he used and employed manipulative and deceptive devices and contrivances, by employing devices, schemes and artifices to defraud; making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in acts, practices and courses of business which operated and would operate as a fraud and deceit upon persons in connection with the purchase and sale of notes and stock. The findings stated that Gray orchestrated, conducted, participated in and supervised a fraudulent scheme in which firm employees induced investors to purchase promissory notes based on false and

fraudulent statements and omissions of material fact. The findings also stated that Gray failed to respond to NASD requests to appear for an on-the-record interview. **(NASD Case #EFL2005001201)**

Lisa M. Hiller (CRD #2464992, Associated Person, Addison, Texas) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, Hiller consented to the described sanction and to the entry of findings that she failed to disclose in writing to her member firm the existence of outside brokerage accounts in which she held a beneficial interest. The findings stated that Hiller failed to notify one of the member firms at which she had an account that she was associated with an NASD member firm. The findings also stated that Hiller failed to respond to NASD requests to provide sworn testimony. **(NASD Case #2006003673301)**

Erica L. Hintze (CRD #4170307, Registered Representative, Burlington, Vermont) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, Hintze consented to the described sanction and to the entry of findings that she signed a branch manager's name on account-related documents and signed his name using a medallion guarantee stamp without his permission or authority. The findings stated that Hintze signed a public customer's name on name change forms without the customer's permission or authority. **(NASD Case #2006007521401)**

Scott Allen Hobson (CRD #2728674, Registered Representative, Los Angeles, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid before Hobson reassociates with any FINRA member following the suspension, or prior to any application or request for relief from statutory disqualification is filed. Without admitting or denying the findings, Hobson consented to the described sanctions and to the entry of findings that he engaged in outside business activity for compensation and failed to provide prompt written notice to his member firm.

The suspension in any capacity is in effect from August 20, 2007, through November 19, 2007. **(NASD Case #2006004720001)**

Lynette Joan Jacobs aka Lynette Davis (CRD #1932387, Registered Representative, New Brunswick, New Jersey) was barred from association with any NASD (and now, FINRA) member in any capacity. The sanction was based on findings that Jacobs misused a public customer's funds in that she requested \$8,500 to be withdrawn from the customer's variable annuity account, made the check payable to an alias Jacobs used and sent it to Jacobs' home address. The findings stated that Jacobs and a third party endorsed the check and deposited it in the third party's personal bank account without the customer's authorization or consent. The findings also stated that Jacobs failed to respond to NASD requests to appear for an on-the-record interview. **(NASD Case #2005001763401)**

Richard James Johnson (CRD #4124558, Registered Representative, Ypsilanti, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from

association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, Johnson consented to the described sanction and to the entry of findings that he converted \$42,000 from a church while serving as its treasurer. **(NASD Case #2006006132001)**

Mike A. Ketcham (CRD #4945897, Registered Representative, Palatine, Illinois) was barred from association with any NASD (and now, FINRA) member in any capacity. The sanction was based on findings that Ketcham exercised control over a bank customer's account and used the customer's personal information to create an account under a fictitious name. The findings stated that Ketcham created positive balances in each account by reversing overdraft fees that had never been assessed and, without the affiliate's knowledge or consent, withdrew \$7,141 from the accounts, thereby converting the funds for his personal use or to benefit someone other than the affiliate. The findings also stated that Ketcham failed to respond to NASD requests for information. **(NASD Case #2006006434701)**

Billy Joe Lawson (CRD #4440200, Registered Representative, North Little Rock, Arkansas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, Lawson consented to the described sanction and to the entry of findings that he received insurance premium payments from clients and failed to promptly remit the funds to his member firm's affiliated insurance company, and used newly received premium payments to make premium payments for other customers. The findings stated that Lawson failed to respond to an NASD request for an on-the-record interview. **(NASD Case #2006004809002)**

Ralph Curtis Lewis (CRD #1343047, Registered Representative, Upland, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any NASD (and now, FINRA) member in any capacity and required to pay \$18,367, plus interest, in restitution to a public customer. Without admitting or denying the findings, Lewis consented to the described sanctions and to the entry of findings that he borrowed \$18,367 from a public customer even though his member firm's written procedures prohibited registered persons from borrowing from customers, and Lewis neither disclosed the loans to his firm nor obtained consent from the firm to borrow from the customer. **(NASD Case #2006004774901)**

Dave Liang (CRD #4115196, Registered Representative, Carlsbad, California) was barred from association with any NASD (and now, FINRA) member in any capacity. The sanction was based on findings that Liang failed to respond to NASD requests for information. The findings stated that Liang willfully failed to disclose material information on his Uniform Application for Securities Registration or Transfer (Form U4). **(NASD Case #20060055309-01)**

Donald Cleygette Martin (CRD #321125, Registered Principal, Huntsville, Alabama) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, Martin consented to the described sanction and to the entry of findings that he made unauthorized withdrawals totaling \$5,371 from a variable annuity a public customer owned, and converted the funds for his own use and benefit without the customer's knowledge or consent. The findings stated that Martin

received \$80,000 from the customer to purchase mutual fund shares and certificates of deposit but, instead, converted the funds for his own use and benefit, without the customer's knowledge or consent. **(NASD Case #2006005699201)**

Michael David McClellan (CRD #4369132, Registered Representative, Fort Wayne, Indiana) was barred from association with any NASD (and now, FINRA) member in any capacity. The sanction was based on findings that McClellan recommended and effected securities transactions in a public customer's account without having a reasonable basis for believing that the recommendations and resultant transactions were suitable for the customer based upon the customer's financial position. The findings stated that McClellan failed to respond to NASD requests for information. **(NASD Case #E8A2004095001)**

Florence Sarah Pollard (CRD #2208895, Registered Principal, La Jolla, California) was fined \$5,000 and suspended from association with any FINRA member in any principal capacity for six months. The Office of Hearing Officers (OHO) imposed the sanctions following a remand order from the National Adjudicatory Council (NAC). The sanctions were based on findings that Pollard solicited and received payment on her member firm's behalf from issuers in exchange for making markets in the issuers' stock and submitting Form 211 applications.

The suspension in any principal capacity is in effect from August 20, 2007, through February 19, 2008. **(NASD Case #CAF20030042)**

Roddy Read (CRD #2063338, Registered Principal, Loveland, Ohio) submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for two months. The fine must be paid before Read reassociates with any FINRA member following the suspension, or prior to any application or request for relief from statutory disqualification is filed. Without admitting or denying the allegations, Read consented to the described sanctions and to the entry of findings that he signed a public customer's name on a "Foreign Travel or Residence Supplement" that was part of a life insurance application without the customer's knowledge or consent.

The suspension in any capacity is in effect from August 6, 2007, through October 5, 2007. **(NASD Case #2006006818501)**

Terrence Paul Riely (CRD #1123198, Registered Principal, San Antonio, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, Riely consented to the described sanction and to the entry of findings that he engaged in outside business activities and failed to provide prompt written notice to his member firm. The findings stated that Riely failed to respond to NASD requests for information. **(NASD Case #2005001640301)**

James Mamadi Sanigular (CRD #1392434, Registered Representative, Shoreview, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$27,500 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid before Sanigular reassociates with any FINRA member following the suspension, or prior to any application or request for relief from

statutory disqualification is filed. Without admitting or denying the findings, Sanigular consented to the described sanctions and to the entry of findings that he entered into a Placement Agency Agreement with a company to serve as its agent for a private placement of its stock and failed to give his member firm notice, prompt or otherwise, that he had entered into the agreement, and failed to give notice that he had received \$21,525 in commissions from the company and as payment to continue the solicitation and sale of the stock. The findings also stated that Sanigular willfully failed to disclose material information on his Form U4.

The suspension in any capacity is in effect from August 6, 2007, through August 5, 2008. **(NASD Case #20060048175-01)**

Craig Michael Shine (CRD #2552669, Registered Representative, Monroeville, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, Shine consented to the described sanction and to the entry of findings that he forged a public customer's signature on several firm "Financial Advisory Service Agreements" and on mutual fund redemption forms to cause unauthorized transfers of \$5,000 from the customer's mutual fund to Shine. **(NASD Case #2007008110601)**

Michael Frederick Siegel (CRD #1001893, Registered Representative, Beverly Hills, California) was fined \$30,000, suspended from association with any NASD (and now, FINRA) member in any capacity for 12 months and ordered to pay \$400,300 in restitution to public customers, less any value received from selling securities or any restitution recovered from other avenues. The NAC imposed the sanctions following appeal of an OHO decision. The sanctions were based on findings that Siegel participated in private securities transactions without prior notice to, and approval from, his member firm. The sanctions were based on findings that Siegel recommended and effected sales of securities to public customers without having reasonable grounds for believing the recommendations and resultant sales were suitable for the customers. These aspects of the NAC's decision have been appealed to the SEC, and the fines and suspensions are not in effect pending consideration of the appeal.

The NAC also ordered Siegel to pay restitution to public customers less certain offsets, including any value received from selling securities or any restitution recovered from other avenues. The NAC referred the restitution issues to a NAC Subcommittee and instructed it to recommend to the NAC a specific restitution amount. The restitution issues remain pending before the NAC. **(NASD Case #C0520020055)**

Michael Alan Silverman (CRD #4351669, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 75 days. Without admitting or denying the findings, Silverman consented to the described sanctions and to the entry of findings that he forged public customers' signatures on reconfirmation forms without the customers' authorization or knowledge.

The suspension in any capacity is in effect from August 20, 2007, through November 2, 2007. **(NASD Case #2006005653501)**

Robert Howard Solash (CRD #430218, Registered Representative, Southampton, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 45 days. The fine must be paid before Solash reassociates with any FINRA member following the suspension, or prior to any application or request for relief from statutory disqualification is filed. Without admitting or denying the findings, Solash consented to the described sanctions and to the entry of findings that he effected unauthorized sale transactions in a deceased customer's corporate brokerage account.

The suspension in any capacity is in effect from August 6, 2007, through September 19, 2007. **(NASD Case #2006004735501)**

Harvey James Sternat (CRD #4500133, Registered Representative, River Falls, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any NASD (and now, FINRA) member in any capacity. Without admitting or denying the findings, Sternat consented to the described sanction and to the entry of findings that he converted approximately \$126,700 from a public customer by paying himself approximately \$126,700 in his capacity as power of attorney for an elderly individual who was not a customer of his member firm or his investment adviser firm. **(NASD Case #2006005885101)**

Richard Adam Thayer (CRD #4123272, Registered Representative, St. Clair Shores, Michigan) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Thayer withdrew \$2,000 from a public customer's bank account for his own use and benefit. The findings stated that in an attempt to conceal his wrongdoing, Thayer transferred \$2,000 from another customer's account to replace the funds taken from the first customer and then transferred \$2,000 from a third customer's account to restore the funds taken from the second customer's account. The findings also stated that Thayer failed to respond to NASD requests for information. **(NASD Case #2006005175401)**

Jackie Gee-Kit To (CRD #4866284, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500, suspended from association with any FINRA member in any capacity for 60 days and required to requalify by exam as a Research Analyst Part II-Regulations Mode within 90 days of reassociation with a member firm. If To fails to requalify as a Research Analyst Part II-Regulations Mode within the 90 day period, he will be suspended from acting in such capacity until the examination is successfully completed. The fine must be paid before To reassociates with any FINRA member following the suspension, or prior to any application or request for relief from statutory disqualification is filed. Without admitting or denying the findings, To consented to the described sanctions and to the entry of findings that he plagiarized the content of a research report another member firm issued and internally circulated the report, indicating that he was its author. The findings stated that the report was published by To's member firm as a research report written by the firm's lead analyst and To.

The suspension in any capacity is in effect from August 6, 2007, through October 4, 2007. **(NASD Case #2005002832901)**

Peter Tzamalass (CRD #2347811, Registered Representative, Norwood, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Tzamalass consented to the described sanction and to the entry of findings that without his member firm's approval, he borrowed \$453,000 from public customers, contrary to his member firm's written procedures that prohibit representatives from borrowing money from customers. The findings stated that Tzamalass failed to respond to NASD requests for documents and information. **(NASD Case #2006006553601)**

Harvey A. Wall (CRD #2192530, Registered Principal, Rye Brook, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$4,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Wall consented to the described sanctions and to the entry of findings that a member firm, acting through Wall, failed to adopt a supervisory system and written procedures reasonably designed to ensure that the firm obtained and retained the required written consent for Web CRD searches. The findings stated that as a result of the supervisory deficiencies, Wall failed to obtain and/or retain the required written consent in connection with Web CRD searches for individuals who were not seeking employment with the firm. The findings also stated that Wall affirmed to Web CRD that he had obtained and would keep on file the required written consent in connection with the pre-registration searches of the individuals.

The suspension in any capacity is in effect from August 20, 2007, through September 18, 2007. **(NASD Case #2006003714901)**

Yuet Kwan Wong (CRD #1654889, Registered Principal, Astoria, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$13,000 and suspended from association with any FINRA member in any supervisory capacity for 10 business days. The fine must be paid before Wong reassociates with any FINRA member following the suspension, or prior to any application or request for relief from statutory disqualification is filed. Without admitting or denying the findings, Wong consented to the described sanctions and to the entry of findings that he failed to enforce his member firm's supervisory procedures that required prior review, approval and written evidence of review and approval of all outgoing email correspondence. The findings stated that Wong failed to reasonably enforce his firm's supervisory procedures governing the content of communications with the public.

The suspension in any supervisory capacity was in effect from August 6, 2007, through August 17, 2007. **(NASD Case #E1020050143-01)**

See Wing Yee (CRD #1976459, Registered Representative, Fremont, California) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Yee consented to the described sanction and to the entry of findings that he engaged in outside business activities and failed to provide prompt written notice to his member firms. The findings stated that Yee failed to fully respond to NASD requests for information and documents and failed to appear for an NASD on-the-record interview. **(NASD Case #20050021446-01)**

Complaints Filed

NASD issued the following complaints. Issuance of a disciplinary complaint represents NASD's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Walter J. Becker (CRD #16443, Registered Principal, Fresno, California) was named as a respondent in an NASD complaint alleging that he made recommendations to public customers that were unsuitable based upon the customers' financial situation and needs. The complaint alleges that the customer funds were not invested in any enterprise but were used to pay Becker's personal expenses or to make payment to prior investors. The complaint also alleges that Becker omitted to disclose material information regarding the investments to the customers and by the use of any means or instrumentality of interstate commerce or of the mails, intentionally or recklessly engaged in manipulative or deceptive devices or contrivances in connection with the purchase or sale of securities, and intentionally or recklessly effected transactions in, or induced the purchase or sale of, securities by means of manipulative, deceptive or other fraudulent devices or contrivances. The complaint further alleges that Becker made improper use of customer funds by applying all of the proceeds from the customers' investments to his personal use. **(NASD Case #20050025094-01)**

Darren James Powell (CRD #2666058, Registered Representative, Staten Island, New York) was named as a respondent in an NASD complaint alleging that he opened accounts for public customers without their authorization, knowledge or consent, and effected unauthorized transactions in the accounts. The complaint alleges that Powell failed to respond to NASD requests to provide on-the-record testimony. **(NASD Case #2005002154901)**

Flavio Guido Varone (CRD #1204320, Registered Representative, Chesterland, Ohio) was named as a respondent in an NASD complaint alleging that he received checks totaling \$254,830.30 from public customers to be invested on their behalf but instead, failed to follow the customers' instructions and used the funds for some purpose other than the benefit of the customers without their knowledge and consent. The complaint alleges that Varone failed to respond to NASD requests for documents and information. **(NASD Case #2006007101701)**

Firms Suspended for Failure to Supply Financial Information

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Ascension Financial Solutions, Inc.
Bowling Green, Kentucky
(July 6, 2007)

Windship Capital Markets, LLC
Lawrenceville, Georgia
(April 18, 2007 – July 13, 2007)

Firms Cancelled Pursuant to NASD Rule 9553 for Failure to Pay Arbitration Fees

Partner Connections, LLC
Brea, California
(July 26, 2007)

Sterling Financial Investment Group, Inc.
Boca Raton, Florida
(July 26, 2007)

Individuals Revoked for Failing to Pay Fines and/or Costs in Accordance with NASD Rule 8320

Lamarr Andrew Anthony
Cleveland Heights, Ohio
(July 24, 2007)

Gordon Scott Lurry
Bedford, Texas
(July 24, 2007)

Adam Mosslish
Matawan, New Jersey
(July 24, 2007)

Individuals Barred Pursuant to NASD Rule 9552(h)

Richard R. Chervenak
Newcomerstown, Ohio
(July 5, 2007)

Noel Andrew Dent Jr.
Bronxville, New York
(July 24, 2007)

Michael Andre Jones
Topanga, California
(July 16, 2007)

Thomas Spaeth Koon
St. Louis, Missouri
(July 16, 2007)

Michael Kevin McNulty
Levittown, New York
(July 30, 2007)

Individuals Suspended Pursuant to NASD Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

David Demarest IV
Wellington, Florida
(July 16, 2007)

Frank Foerster
New York, New York
(July 17, 2007)

Phillip Emery Freeman III
Tampa, Florida
(July 18, 2007)

Neil Curtis Haeger Jr.
West Palm Beach, Florida
(February 5, 2007 – July 3, 2007)

Mark Leon Henry
Joplin, Missouri
(July 30, 2007)

John Robert Hoole
Marion, Illinois
(July 11, 2007)

David Henry Lightfoot
Clarkston, Michigan
(July 10, 2007)

Jose Paul Macandog
Jacksonville, Florida
(July 11, 2007)

Kalina R. Rousseva
Miami, Florida
(June 20, 2007)

Bridget Elaine Steele
Stafford, Texas
(July 30, 2007)

Albert Alexander Whitehead Jr.
Crestview, Kentucky
(July 23, 2007)

Individuals Suspended Pursuant to NASD Rule Series 9554 for Failure to Comply with an Arbitration Award or Settlement Agreement

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Guaro Coen
Boston, Massachusetts
(July 26, 2007)

Daniel James Gallagher
Roslyn, New York
(July 2, 2007 – July 24, 2007)

John Francis Kavalec
Batavia, Illinois
(July 26, 2007)

Jose Rafael Mirabal
Weston, Florida
(July 13, 2007)

Timothy James Morgan
Atlanta, Georgia
(July 26, 2007)

Rajai Edward Najjar
San Diego, California
(July 13, 2007)

John Patrick Sullivan Jr.
Boston, Massachusetts
(December 28, 2006 – July 27, 2007)

Alan David Weiner
Delray Beach, Florida
(July 16, 2007)

Individual Suspended Pursuant to NASD Rule 9553 for Failure to Pay Arbitration Fees

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Lee Alexander Fisher
Naples, Florida
(April 5, 2006 – July 16, 2007)

In First Case of Its Kind, NASD Charges Former Securities America Broker with Misleading Union Retirement Plans About Receipt of More Than \$280,000 in Improper Directed Brokerage Commissions, Other Payments

Securities America Fined \$375,000 for Improperly Sharing Directed Brokerage Payments, Failing to Ensure Broker Disclosed Additional Compensation to Retirement Plan Clients

In the first case of its kind, NASD fined Securities America, Inc. of Omaha, NE, \$375,000 for improperly sharing directed brokerage commissions from a mutual fund company with Michael Bullock, a former Securities America broker in the Los Angeles, CA area. NASD also found that Securities America failed to adequately supervise Bullock's communications with his union-sponsored retirement plan clients to ensure that Bullock disclosed his additional compensation to those clients.

In a separate complaint, NASD charged Bullock with improperly receiving directed brokerage commissions and other compensation of more than \$280,000. Bullock was also charged with misrepresenting and failing to disclose this compensation to his union retirement plan clients—at the same time he was advising those clients to maintain or include the fund company's mutual funds in the retirement plans they offered to working and retired union members.

“NASD will vigorously challenge all conduct that impermissibly compromises a broker's objectivity, especially when retirement money is at stake,” said James S. Shorris, NASD Executive Vice President and Head of Enforcement. “In this case, Securities America approved Bullock's improper arrangement to receive directed brokerage commissions from mutual fund company portfolio transactions while advising his retirement plan clients to invest in this same mutual fund company's securities. This violation of NASD's rules governing mutual fund compensation, when coupled with the failure to disclose to the firm's clients the terms of his financial arrangement, made for an intolerable situation.”

The actions differ from previous disciplinary actions involving directed brokerage in several important respects. Previous actions involved firms receiving directed brokerage in exchange for providing “shelf space” for specific mutual funds—that is, promoting those funds to the investing public and among their own brokers in exchange for directed brokerage from those funds. In this case, the fund company directed brokerage specifically for the benefit of an individual broker—a first. NASD rules prohibit registered firms from granting a participation in directed brokerage to sales personnel. Also, the conflict of interest for the broker is heightened in this type of arrangement, compounding the seriousness of the violation.

NASD found in its settlement with Securities America, and alleged in its complaint against Bullock, that Bullock negotiated an arrangement with a mutual fund company to have thousands of dollars of brokerage commissions directed to him every month for his benefit. Bullock used the additional compensation to hire a sales assistant, formerly employed by the fund company, to help him find new retirement plan clients. Securities America approved the arrangement and for almost two years, from 2002 through 2003, Securities America received \$420,000 in directed commissions from the fund company for Bullock's benefit. Securities America paid Bullock \$262,500 and retained \$157,500.

NASD further found and alleged that while Bullock was sharing in commissions generated by the fund company, all but one of Bullock's 15 union retirement plan clients included at least one mutual fund from the fund company in their plans. Bullock periodically met with his clients and advised them to select or maintain fund company securities in their "investment menus"—the platform of investment choices available to the individual plan participants, union members. However, Bullock failed to disclose that he was receiving substantial additional compensation from the fund company and misled clients regarding his remuneration and the directed commissions.

NASD found in its settlement with Securities America that the firm failed to take steps to ensure that Bullock describe and disclose to his customers the receipt of this additional compensation from the fund company. In one instance, the firm approved one of Bullock's misleading communications, despite its involvement in the directed commission arrangement that resulted in Bullock's conflict of interest.

NASD further alleged in its complaint against Bullock that, in addition to receiving over \$260,000 in directed brokerage payments, Bullock also requested and received a \$20,807.32 check directly from the fund company in 2002—to reimburse him for some of the same expenses for which he was receiving directed commissions. The complaint alleges that Bullock concealed from Securities America that he received these funds.

In settling these matters, Securities America neither admitted nor denied the charges, but consented to the entry of NASD's findings.